



UNITED STATES PATENT AND TRADEMARK OFFICE

UNITED STATES DEPARTMENT OF COMMERCE
United States Patent and Trademark Office
Address: COMMISSIONER FOR PATENTS
P.O. Box 1450
Alexandria, Virginia 22313-1450
www.uspto.gov

APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/001,900	11/14/2001	Steven M. Bloom	09857-073001	8995

26161 7590 04/01/2009
FISH & RICHARDSON PC
P.O. BOX 1022
MINNEAPOLIS, MN 55440-1022

EXAMINER

CHANDLER, SARA M

ART UNIT	PAPER NUMBER
----------	--------------

3693

NOTIFICATION DATE	DELIVERY MODE
-------------------	---------------

04/01/2009

ELECTRONIC

Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

Notice of the Office communication was sent electronically on above-indicated "Notification Date" to the following e-mail address(es):

PATDOCTC@fr.com



UNITED STATES PATENT AND TRADEMARK OFFICE

Commissioner for Patents
United States Patent and Trademark Office
P.O. Box 1450
Alexandria, VA 22313-1450
www.uspto.gov

**BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES**

Application Number: 10/001,900
Filing Date: November 14, 2001
Appellant(s): BLOOM ET AL.

Denis G. Maloney
For Appellant

EXAMINER'S ANSWER

This is in response to the appeal brief filed 01/29/09 appealing from the Office action mailed 07/22/08.

(1) Real Party in Interest

A statement identifying by name the real party in interest is contained in the brief.

(2) Related Appeals and Interferences

The following are the related appeals, interferences, and judicial proceedings known to the examiner which may be related to, directly affect or be directly affected by or have a bearing on the Board's decision in the pending appeal:

Appellant concurrently with this appeal has filed an appeal in application 10/001,900 filed 02/15/02. That appeal has not been docketed to the Board of Appeals.

(3) Status of Claims

The statement of the status of claims contained in the brief is correct.

(4) Status of Amendments After Final

The amendment after final rejection filed on 10/08/08 has not been entered.

(5) Summary of Claimed Subject Matter

The summary of claimed subject matter contained in the brief is correct.

(6) Grounds of Rejection to be Reviewed on Appeal

The appellant's statement of the grounds of rejection to be reviewed on appeal is correct.

GROUND OF REJECTION NOT ON REVIEW

The following grounds of rejection have not been withdrawn by the examiner, but they are not under review on appeal because they have not been presented for review in the appellant's brief.

1. Double Patenting

WITHDRAWN REJECTIONS

The following grounds of rejection are not presented for review on appeal because they have been withdrawn by the examiner. .

1. Claim Rejections - 35 USC § 101.

(7) Claims Appendix

The copy of the appealed claims contained in the Appendix to the brief is correct.

(8) Evidence Relied Upon

20010025266

Gastineau

9-2001

"Exchange traded funds - the wave of the future?," by Stuart M. Strauss. The Investment Lawyer. Englewood Cliffs: Apr. 2000. Vol. 7, Iss. 4.

(9) Grounds of Rejection

The following ground(s) of rejection are applicable to the appealed claims:

Claim Interpretation

1. In determining patentability of an invention over the prior art, all claim limitations have been considered and interpreted as broadly as their terms reasonably allow. See MPEP § 2111.

Although the claims are interpreted in light of the specification, limitations from the specification are not read into the claims. See *In re Van Geuns*, 988 F.2d 1181, 26 USPQ2d 1057 (Fed. Cir. 1993).

Applicant always has the opportunity to amend the claims during prosecution, and broad interpretation by the examiner reduces the possibility that the claim, once issued, will be interpreted more broadly than is justified. *In re Pruter*, 415 F.2d 1393, 1404-05, 162 USPQ 541, 550-51 (CCPA 1969). See MPEP § 2111.

2. All claim limitations have been considered. Additionally, all words in the claims have been considered in judging the patentability of the claims against the prior art. See MPEP 2106 II C. The following language is interpreted as not further limiting the scope of the claimed invention. See MPEP 2106 II C.

Language in a method claim that states only the intended use or intended result, but the expression does not result in a manipulative difference in the steps of the claim. Language in a system claim that states only the intended use or intended result, but does not result in a structural difference between the claimed invention and the prior art. In other words, if the prior art structure is capable of performing the intended use, then it meets the claim.

Claim limitations that contain statement(s) such as “*if, may, might, can could*”, as optional language. As matter of linguistic precision, optional claim elements do not narrow claim limitations, since they can always be omitted.

Claim limitations that contain statement(s) such as “*wherein, whereby*”, that fail to further define the steps or acts to be performed in method claims or the discrete physical structure required of system claims.

USPTO personnel should begin claim analysis by identifying and evaluating each claim limitation. For processes, the claim limitations will define steps or acts to be performed. For products, the claim limitations will define discrete physical structures or materials. Product claims are claims that are directed to either machines, manufactures or compositions of matter. See MPEP § 2106 II C.

The subject matter of a properly construed claim is defined by the terms that limit its scope. It is this subject matter that must be examined. As a general matter, the grammar and intended meaning of terms used in a claim will dictate whether

Art Unit: 3693

the language limits the claim scope. Language that suggests or makes optional but does not require steps to be performed or does not limit a claim to a particular structure does not limit the scope of a claim or claim limitation. The following are examples of language that may raise a question as to the limiting effect of the language in a claim:

- (A) statements of intended use or field of use,
- (B) “adapted to” or “adapted for” clauses,
- (C) “wherein” clauses, or
- (D) “whereby” clauses.

See MPEP § 2106 II C.

3. Independent claims are examined together, since they are not patentable distinct. If applicant expressly states on the record that two or more independent and distinct inventions are claimed in a single application, the Examiner may require the applicant to elect an invention to which the claims will be restricted.

Double Patenting

The nonstatutory double patenting rejection is based on a judicially created doctrine grounded in public policy (a policy reflected in the statute) so as to prevent the unjustified or improper timewise extension of the “right to exclude” granted by a patent and to prevent possible harassment by multiple assignees. A nonstatutory obviousness-type double patenting rejection is appropriate where the conflicting claims are not identical, but at least one examined application claim is not patentably distinct from the reference claim(s) because the examined application claim is either anticipated by, or would have been obvious over, the reference claim(s). See, e.g., *In re Berg*, 140 F.3d 1428, 46 USPQ2d 1226 (Fed. Cir. 1998); *In re Goodman*, 11 F.3d 1046, 29 USPQ2d 2010 (Fed. Cir. 1993); *In re Longi*, 759 F.2d 887, 225 USPQ 645 (Fed. Cir. 1985); *In re Van Ornum*, 686 F.2d 937, 214 USPQ 761 (CCPA 1982); *In re Vogel*, 422 F.2d 438, 164 USPQ 619 (CCPA 1970); and *In re Thorington*, 418 F.2d 528, 163 USPQ 644 (CCPA 1969).

A timely filed terminal disclaimer in compliance with 37 CFR 1.321(c) or 1.321(d)

may be used to overcome an actual or provisional rejection based on a nonstatutory double patenting ground provided the conflicting application or patent either is

Art Unit: 3693

shown to be commonly owned with this application, or claims an invention made as a result of activities undertaken within the scope of a joint research agreement.

Effective January 1, 1994, a registered attorney or agent of record may sign a terminal disclaimer. A terminal disclaimer signed by the assignee must fully comply with 37 CFR 3.73(b).

Claims 1-26 are rejected on the ground of nonstatutory obviousness-type double patenting as being unpatentable over claims 1-18 and 20-34 of U.S. Patent No. 7,249,086. Although the conflicting claims are not identical, they are not patentably distinct from each other because both applications are drawn to a creation unit basket of securities for a first fund (or financial product) having a basis that is substantially the same basis as a creation unit basis for a second fund (or financial product) that is traded on a second marketplace in a different country than that of the first fund (or financial product) and in this environment securities for a first fund (or financial product) can be exchanged for securities for a second fund (or financial product).

Claims 1-12 provisionally rejected on the ground of nonstatutory obviousness-type double patenting as being unpatentable over claims 1-12, respectively of copending Application No. 10/077,182. Although the conflicting claims are not identical, they are not patentably distinct from each other because both applications are drawn to a: creation unit basket of securities for a first fund having a basis that is substantially the same basis as a creation unit basis for a second fund that is traded on a second marketplace in a different country than that of the first fund; and delivering a prescribed number of shares to account for cash that may be owed between the agent and the participant.

This is a provisional obviousness-type double patenting rejection because the conflicting claims have not in fact been patented.

Claim Rejections - 35 USC § 112

The following is a quotation of the second paragraph of 35 U.S.C. 112:

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

Claims 1-26 are rejected under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention.

Claim 1,7,12,18 and 23 are rejected under 35 U.S.C. 112, second paragraph, as being incomplete for omitting essential steps, such omission amounting to a gap between the steps. See MPEP § 2172.01. The omitted steps are:

In claims 1,7,12,18 and 23 are conclusory without identifying the process necessary to arrive at that conclusion. For example, in claim 1, the "recording by the computer, the delivery" is conclusory without identifying the process necessary to arrive at that conclusion. For example, before delivering can occur one must identify how they are getting a prescribed number of shares, a creation unit etc? What criteria is used for determining what the prescribed number of shares will be etc?

In claims 1,7,12,18 and 23, the claims make reference to intended use/intended results without giving any life or meaning to these statements in the claims. Also, the claims recites language that is passive in the claim because it could be done but, does not have to be done. For example, the claim recites, "to account for a cash amount

Art Unit: 3693

owed....." but the claimed invention makes no reference to determining when and why a cash amount would even be owed, how the cash amount owed is calculated etc.

In claims 1,7,12,18 and 23, the dependent claims rely on certain steps and or elements that fail to occur in the independent claims (e.g., net asset value/value). For example, the calculating the amount of cash needed occurring in 2,8,13,19 and 26 relies on the step of calculating the net asset value of the first fund at the close of trading in the second country in which the second fund is trading having previously occurred in the process. None of the independent claims address calculating the net asset value. Thus, dependent claims bear no relationship to the steps performed in the independent claim.

In claim 1, the preamble is drawn to a method of producing a financial product but the claimed invention fails to accomplish that result. How is the financial product produced?

The term "substantially" in claims 1, 7,12, 18 and 23 is a relative term which renders the claim indefinite. The term "substantially" is not defined by the claim, the specification does not provide a standard for ascertaining the requisite degree, and one of ordinary skill in the art would not be reasonably apprised of the scope of the invention. How is "substantially the same basis" measured?

Claims 2,4-6, 8, 10-11,13, 15-17, 19, 21-22 and 24-26 recite the limitation "cash", "cash amount" etc. Is this the cash amount owed? The cash amount needed? Or is it some other cash amount?

Claims 2,8 and 13 recite the limitations "the net asset value of the second fund". There is insufficient antecedent basis for these limitations in the claims. Claims 19 and 24 recite the limitations "the net asset value of at the close of trading of the second exchange-traded fund". There is insufficient antecedent basis for these limitations in the claims.

Claims 4,10 and 15 recite the limitation "the value of the first fund shares to the value of the second fund shares". Claim 25 recites the limitation "the value of the first exchange-traded fund to the value of the second exchange-traded fund". There is insufficient antecedent basis for this limitation in the claim. Is the value the net asset value or some other value?

Claim 12 recites the limitation "record the number of shares issued in the first financial product". This is indefinite because no shares were issued as a part of the claimed invention, it is thus unclear what shares are recorded.

Dependent claims are further rejected based on the same rationale as the claims from which they depend.

Claim Rejections - 35 USC § 103

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

Art Unit: 3693

The factual inquiries set forth in *Graham v. John Deere Co.*, 383 U.S. 1, 148 USPQ 459 (1966), that are applied for establishing a background for determining obviousness under 35 U.S.C. 103(a) are summarized as follows:

1. Determining the scope and contents of the prior art.
2. Ascertaining the differences between the prior art and the claims at issue.
3. Resolving the level of ordinary skill in the pertinent art.
4. Considering objective evidence present in the application indicating obviousness or nonobviousness.

Claims 1,2, 4-8,10-13,15-19 and 21-26 are rejected under 35 U.S.C. 103(a) as being unpatentable over Gastineau, US Pub. No. 2001/0025266 in view of “Exchange traded funds—the wave of the future ?,” by Stuart M. Strauss. The Investment Lawyer. Englewood Cliffs: Apr. 2000. Vol. 7, Iss. 4.

Re Claim 1: Gastineau discloses a method of producing shares of a first fund, which are that is traded on a first marketplace, the method executed on a computer, the method comprising:

recording by the computer, delivery by a market participant to an agent for the first fund, of a creation unit basket of securities having a creation unit basis that is substantially the same basis as a creation unit basis for a second fund that is traded on a second marketplace in a second, different country than that of the first fund (Gastineau, [0001] [0002] [0003] [0004]);

Gastineau fails to explicitly disclose:

recording by the computer, delivery of a prescribed number of shares in the first fund to the market participant, in exchange for the creation unit basket of securities and a

Art Unit: 3693

second number of shares in the second fund to account for cash that is owed by the agent to the participant.

Strauss discloses:

recording by the computer, delivery of a prescribed number of shares in the first fund to the market participant, in exchange for the creation unit basket of securities and a second number of shares in the second fund to account for cash that is owed by the agent to the participant.(Strauss, pgs. 1-3).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the teachings of Gastineau by adopting the teachings of Strauss to provide a method further comprising recording by the computer, delivery of a prescribed number of shares in the first fund to the market participant, in exchange for the creation unit basket of securities and a second number of shares in the second fund to account for cash that is owed by the agent to the participant.

As suggested by Strauss one would have been motivated to ensure that shares are purchased at NAV.

Re Claim 7: Gastineau discloses a computer program product residing on a computer readable medium, for administrating a first financial product that has shares traded in a first marketplace the first financial product based on a creation unit basket of securities having a basis that is substantially the same basis as t-he a creation unit basis for a second financial product that has shares traded on a second marketplace in a different country, (Gastineau, [0001] [0002] [0003] [0004]), the computer program product comprising instructions for causing a processor to:

Gastineau fails to explicitly disclose:

determine a second number of shares in the second financial product to account for cash that is owed by an agent that issues the shares in the first financial product to a participant that receives the shares in the first financial product, the agent delivering a second number of shares in the second financial product in lieu of the cash.

Strauss discloses:

determine a second number of shares in the second financial product to account for cash that is owed by an agent that issues the shares in the first financial product to a participant that receives the shares in the first financial product, the agent delivering a second number of shares in the second financial product in lieu of the cash.

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the teachings of Gastineau by adopting the teachings of Strauss to provide a computer program product comprising instructions for causing a processor to: determine a second number of shares in the second financial product to account for cash that is owed by an agent that issues the shares in the first financial product to a participant that receives the shares in the first financial product, the agent delivering a second number of shares in the second financial product in lieu of the cash.

As suggested by Strauss one would have been motivated to ensure that shares are purchased at NAV.

Re Claim 12: Gastineau discloses a system, comprises:
a computer (Gastineau, Fig. 1, [0009] [0010] [0020] [0021]); and

Art Unit: 3693

a storage medium storing a computer program product for administering a first financial product that has shares traded in a first marketplace the first financial product based on a creation unit basket of securities having a basis that is substantially the same basis as the creation unit basis for a second financial product that has shares traded on a second marketplace in a different country, (Gastineau, abstract, [0010] [0020]), the computer program product comprising instructions for causing a processor to:

Gastineau fails to explicitly disclose:

record the number of shares issued in the first financial product; and
determine a second number of shares in the second financial product to account for cash that is owed by an agent that issues the shares in the first financial product to a participant that receives the shares, the agent to delivering the second, number of shares in the second financial product in lieu of the cash; and
record the second number of shares delivered in the second financial product.

Strauss discloses:

record the number of shares issued in the first financial product (Strauss, pgs. 1-3);
determine a second number of shares in the second financial product to account for cash that is owed by an agent that issues the shares in the first financial product to a participant that receives the shares, the agent to delivering the second, number of shares in the second financial product in lieu of the cash; (Strauss, pgs. 1-3); and
record the number of shares delivered in the second product (Strauss, pgs. 1-3).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the teachings of Gastineau by adopting the teachings of Strauss to provide a computer program product comprising instructions for causing a processor to: record the number of shares issued in the first financial product; and determine a second number of shares in the second financial product to account for cash that is owed by an agent that issues the shares in the first financial product to a participant that receives the shares, the agent to delivering the second, number of shares in the second financial product in lieu of the cash; and record the second number of shares delivered in the second financial product.

As suggested by Strauss one would have been motivated to ensure that shares are purchased at NAV.

Re Claim 18: Gastineau discloses a computer program product residing on a computer readable medium for administering a first exchange-traded fund, the computer program product (Gastineau, Fig. 1, [0009] [0010] [0020] [0021]), comprising instructions for causing a processor to:

record creation of the first exchange-traded fund, the first exchange-traded fund having a prescribed number shares for trading in a first country, the first exchange-traded fund produced by delivery to an agent, in exchange for the prescribed number of shares of a creation unit basket having a basis that is substantially the same basis as a creation unit basis for a second exchange-traded fund that has shares traded on a second marketplace in a different country (Gastineau, Fig. 1, [0009] [0010] [0020] [0021]);

Gastineau fails to explicitly disclose:

Art Unit: 3693

determine a number of shares in the second exchange-traded fund to account for cash that is owed by the agent to the participant the agent to delivering the second number of shares in the second exchange-traded fund in lieu of the cash; and

record the prescribed number of shares in the first exchange-traded fund and the number of shares in the second exchange-traded fund to account for the cash.

Strauss discloses:

determine a number of shares in the second exchange-traded fund to account for cash that is owed by the agent to the participant the agent to delivering the second number of shares in the second exchange-traded fund in lieu of the cash (Strauss, pgs. 1-3); and

record the prescribed number of shares in the first exchange-traded fund and the number of shares in the second exchange-traded fund to account for the cash (Strauss, pgs. 1-3).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the teachings of Gastineau by adopting the teachings of Strauss to determine a number of shares in the second exchange-traded fund to account for cash that is owed by the agent to the participant the agent to delivering the second number of shares in the second exchange-traded fund in lieu of the cash; and record the prescribed number of shares in the first exchange-traded fund and the number of shares in the second exchange-traded fund to account for the cash.

As suggested by Strauss one would have been motivated to ensure that shares are purchased at NAV.

Re Claim 23: Gastineau discloses a method for administrating a first exchange-traded fund, the method executed on a computer system, the method comprising:

recording by the computer system, delivery from a participant to an agent of a creation unit basket of securities for the first exchange-traded fund in exchange for a prescribed number of shares in the first exchange-traded fund, the shares for the first exchange-traded fund trading in a first country and the first exchange-traded fund having a basis that is substantially the same basis as a creation unit basis for a second exchange-traded fund traded in a second, different country (Gastineau, [0001] [0002] [0003] [0004]);

Gastineau fails to explicitly disclose:

determining by the computer system a number of shares in the second exchange-traded fund to deliver to the participant to account for cash that is owed by the agent to the participant the agent to delivering the second number of shares in the second exchange-traded fund in lieu of the cash; and

recording by the computer system the prescribed number of shares in the first exchange-traded fund and the number of shares in the second exchange-traded fund to account for the cash.

Strauss discloses:

determining by the computer system a number of shares in the second exchange-traded fund to deliver to the participant to account for cash that is owed by the agent to the participant the agent to delivering the second number of shares in the second exchange-traded fund in lieu of the cash (Strauss, pgs. 1-3); and

Art Unit: 3693

recording by the computer system the prescribed number of shares in the first exchange-traded fund and the number of shares in the second exchange-traded fund to account for the cash (Strauss, pgs. 1-3).

It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the teachings of Gastineau by adopting the teachings of Strauss to provide determining by the computer system a number of shares in the second exchange-traded fund to deliver to the participant to account for cash that is owed by the agent to the participant the agent to delivering the second number of shares in the second exchange-traded fund in lieu of the cash; and recording by the computer system the prescribed number of shares in the first exchange-traded fund and the number of shares in the second exchange-traded fund to account for the cash.

As suggested by Strauss one would have been motivated to ensure that shares are purchased at NAV.

Re Claims 2 and 8: Gastineau in view of Strauss disclosed the claimed method/computer program product supra and Strauss further discloses the method/computer program product comprising:

calculating by the computer system an amount of cash needed to be exchanged between agent and the participant to have the first fund equate to the second fund at the net asset value of the second fund at the close of trading of the second fund in the second country (Strauss, pgs. 1-3);

Art Unit: 3693

wherein if the cash needed to be exchanged is owed by the agent to the participant that cash is settled in the second number of shares in the second fund (Strauss, pgs. 1-3).

Re Claims 4 and 10: Gastineau in view of Strauss disclosed invention supra and Strauss further discloses wherein the amount of cash equates the value of the first fund shares to the value of the second fund shares (Strauss, pgs. 1-3); and

wherein the amount of cash exchanged from the agent to the market participant or from market participant to the equates the value of the first financial product shares to the value of the second fund financial product shares (Strauss, pgs. 1-3).

Re Claims 5,6 and 11: Gastineau in view of Strauss disclosed the claimed invention supra and Strauss further discloses wherein the agent sets a maximum cash amount that it will give to participants (Strauss, pgs. 1-3); and

wherein when the maximum cash amount is exceeded, the exceeding of the maximum cash amount will result in issuance of the second fund shares along with the prescribed number of first fund shares (Strauss, pgs. 1-3).

Re Claim 17: Gastineau in view of Strauss discloses the claimed computer program product supra and Strauss further discloses determine a prescribed number of shares in the first product provided to the participant in exchange for the creation unit basket (Strauss, pgs. 1-3).

Claims 13, 19 and 24 contain features or limitations recited in Claims 2 and 8, therefore they are rejected under the same rationale.

Claim 15,21 and 25 contains features or limitations recited in Claims 4 and 10, therefore they are rejected under the same rationale.

Claims 16, 22 and 26 contain features or limitations recited in Claims 5,6 and 11, therefore they are rejected under the same rationale.

(10) Response to Argument

112

First, applicant argues Claims 1.7, 12. 18. and 23 are Complete and Not Conclusory.

Regarding applicant's assertion that there is no need to address subject matter considered to be essential because it is addressed in the specification. It is noted, although the claims are read in light of the specification, limitations from the specification are not read into the claims.

Although the claims are interpreted in light of the specification, limitations from the specification are not read into the claims. See *In re Van Geuns*, 988 F.2d 1181, 26 USPQ2d 1057 (Fed. Cir. 1993).

Regarding, the use of intended use/intended result language, passive language etc. As noted supra, the subject matter of a properly construed claim is defined by the terms that limit its scope. For example, Claim 1 is just recording data. The type of data recorded is nonfunctional descriptive material. See remarks below. For example, claims 7 and 12 although the claims "determine a number of shares in the second fund or in other securities" the subsequent language "to account for a cash amount owed ..." is an intended use/result recitation. There is no requirement in the claimed invention that a transaction occurred between the agent and a market participant; and even if a transaction occurred there is no requirement that a cash amount will be owed (e.g.,

Art Unit: 3693

situation where the shares/creation unites already equate). Claims 18 and 123 exemplify both the issues described above for claim 1 (e.g., merely recording data, the data being nonfunctional descriptive material) and claims 16 and 19 (e.g., using intended use/intended result language , passive language). Note claim 1 similarly has intended use/result, passive language issues.

Furthermore, the step of calculating the amount of cash needed occurring in 2,8,13,19 and 26 relies on the step of calculating the net asset value of the first fund at the close of trading in the second country in which the second fund is trading having previously occurred in the process. None of the independent claims address calculating the net asset value. Thus, dependent claims bear no relationship to the steps performed in the independent claim. The net asset value is an important input needed to calculate the amount of cash needed to be exchanged between the agent and the market participant.

Second, applicant argues the preamble of Claim 1 is Proper

In response to applicant's arguments, the recitation has not been given patentable weight because the recitation occurs in the preamble; and as noted supra the body of the claim never performs the act of "producing shares of a first fund, which are traded on a first marketplace"

A preamble is generally not accorded any patentable weight where it merely recites the purpose of a process or the intended use of a structure, and where the body of the claim does not depend on the preamble for completeness but, instead, the process steps or structural limitations are able to stand alone. See *In re Hirao*, 535

Art Unit: 3693

F.2d 67, 190 USPQ 15 (CCPA 1976) and *Kropa v. Robie*, 187 F.2d 150, 152, 88 USPQ 478, 481 (CCPA 1951).

Third, applicant argues the term "substantially" is not indefinite.

Applicant's specification fails to provide some standard for measuring "substantially." The cited portions of applicant's specification define or liken the term "substantially" to "preferably essentially identical to." The term "essentially" however, is also a relative term. (See Applicant's Specification, pg. 5, Specification 11/14/01) Defining a relative term by using another relative term fails to cure the claim indefiniteness. Similarly, the reference in applicant's remarks that substantially is "akin to about" is also ineffective because the term "about" is also a relative term. (See Applicant's Remarks, pg. 10, 06/18/07)

Furthermore, applicant's own remarks contradict the notion that one of ordinary skill in the art would be apprised of the scope of the term "substantially." As suggested by the applicant the degree of "substantially" could be arbitrarily changed depending upon the desires of a given user.

One Skilled .in the art could depart from identical creation unit basis according to the degree that one would desire to depart from the exactness of arbitrage between the: two funds. (Applicant's Remarks, pg. 10, 06/18/07)

Fourth, "Cash", "Cash amount" "value", and Other Terms Would Be Understood By One Skilled In The Art

With respect to "cash" and "cash amount". Applicant fails to consistently precede the use of cash and cash amount with terms such as "the" or "said" indicating that it is the same cash and or cash amount previously referenced in the independent claims

Art Unit: 3693

(e.g., claim 2). It is unclear whether the same or a different “cash” or “cash amount” is intended. Also, applicant's own comments in the appeal brief are indicative of the indefiniteness of the terms in dependent claims 2, 4-6, 8, 10-11, 13, 15-17, 19, 21-22 and 24-6. For example, applicant's brief states:

Claim 2, for instance, introduces calculating the amount of cash needed to be exchanged. That calculation indicates cash is owed by the participant to the agent or by the agent to the participant, as expressed in the second to last line of claim 2.

Claim 2 depends from claim 1. Claim 1 states for example “cash that is owed by the agent to the market participant.” Thus, if applicants remarks are true the meaning of the terms “cash” and “cash amount” in the dependent claims would be broader in scope than the claims from which depend.

Regarding applicant's assertion that there is no need to address subject matter considered to be essential because it is addressed in the specification. It is noted, although the claims are read in light of the specification, limitations from the specification are not read into the claims.

Although the claims are interpreted in light of the specification, limitations from the specification are not read into the claims. See *In re Van Geuns*, 988 F.2d 1181, 26 USPQ2d 1057 (Fed. Cir. 1993).

What is meant by “value” is unclear and indefinite in the claimed invention. At a minimum, the use of the term “value” at times and “net asset value” other times creates clarity issues due to the use of inconsistent terminology as well as problems with respect to antecedent basis. Applicant's own comments in the appeal brief would

Art Unit: 3693

suggest a larger problem however, a problem of scope. For example, applicant's brief states:

Regarding Claims 4, 10, 15 and 25, the features of "value," could be a value or net asset value. (Applicant's Appeal Brief, pg. 16, 01/29/09)

"Value": is a broad term encompassing anything with respect to its relative worth, merit or importance. "Net Asset Value" however, is a term of art used in Finance. One of ordinary skill in the art is not on notice as to when one type of value or another is intended or required.

Fifth, applicant argues antecedent basis is sufficient.

The independent claims from which claims 2, 8 and 13 depend make no prior reference to the net asset value, creating an antecedent basis problem.

103

Claims 1,4 and 5

First, applicant's preamble has not been given patentable weight because the recitation occurs in the preamble; and as noted supra the body of the claim never performs the act of "producing shares of a first fund, which are traded on a first marketplace"

A preamble is generally not accorded any patentable weight where it merely recites the purpose of a process or the intended use of a structure, and where the body of the claim does not depend on the preamble for completeness but, instead, the process steps or structural limitations are able to stand alone. See *In re Hirao*, 535 F.2d 67, 190 USPQ 15 (CCPA 1976) and *Kropa v. Robie*, 187 F.2d 150, 152, 88 USPQ 478, 481 (CCPA 1951).

Second, a method claim is defined by the steps or acts performed. If that is the case, the only steps performed by the claimed method are “recording by the computer “ and “recording by the computer.....” In other words, the claimed method is just storing data.

The steps performed by the computer do not require any use of the data. The data recorded by the computer is not used by the computer to perform any calculation or render any decision. The data recorded by the computer is nothing more than nonfunctional descriptive material. The data is considered to be non-functional, and thus not further limiting, because the particular data obtained has no bearing on the actively recited steps of the method claim. The actual “delivery” and “delivery” relies entirely on decisions and actions by people (i.e., the market participant and agent) and the claim is recited in a way that does not make the actions of these people required (e.g., intended use/result language, passive language).

Certain types of descriptive material, such as music, literature, art, photographs, and mere arrangements or compilations of facts or data, without any functional interrelationship is not a process, machine, manufacture, or composition of matter. See MPEP § 2106, II.

When nonfunctional descriptive material is recorded on some computer-readable medium, in a computer or on an electromagnetic carrier signal, it is not statutory since no requisite functionality is present to satisfy the practical application requirement. Merely claiming nonfunctional descriptive material, i.e., abstract ideas, stored on a computer readable medium, in a computer or on an electromagnetic carrier signal, does not make it statutory. See *Diamond v. Diehr*, 450 U.S. 175, 185-6, 209 USPQ 1, 8 (noting that the claims for an algorithm in Benson were unpatentable as abstract ideas because “[t]he sole practical application of the algorithm was in connection with the programming of a general purpose computer.”) Such a result would exalt form over substance. *In re Sarkar*, 588 F.2d 1330, 1333, 200 USPQ 132, 137 (CCPA 1978) .

Gastineau describes how exchange traded funds or basket products such as S&P 500 Depository Receipts (SPDRs) are vehicles for holding a basket of securities that can be traded on an exchange or securities market. [Gastineau, [0002].

Gastineau describes how shares in these types of products may be created or redeemed at the end of each business day at a net asset value price in "creation units." Gastineau also describes how a variety of participants may interact with the exchange, securities market with respect to these products such as brokers, dealers and investors. Gastineau, further describes the attributes and characteristics of these types of exchanges, electronic markets etc. which include memory 14 and persistent storage device 16. (Gastineau, Fig. 1, 20).

As such Gastineau describes, "A method of producing shares of a first fund, which are traded on a first marketplace, the method executed on a computer,," although as noted above this is not a required attribute of the claimed invention. Gastineau further discloses how such a process involves "recording by the computer" data relevant to "producing shares of a first fund, which are traded on a first marketplace."

Strauss introduces the idea of an in-kind exchange. Strauss suggests shares may be purchased at NAV in blocks of shares called creation units. Strauss also suggests that the purchases are effected through the tender of a basket of securities. Strauss further describes that there may be a requirement to also provide a plus or minus balancing amount. (Strauss, pgs. 2-3)

As noted supra, recording “delivery, by a market participant to an agent for the first fund, of a creation unit basket of securities having a creation unit basis that is substantially the same as a creation unit basis for a second fund that is traded on a second marketplace in a second, different country than that of the first fund” and recording “delivery of a prescribed number of shares in the first fund to the market participant, in exchange for the creation unit basket of securities and a second number of shares in the second fund to account for cash that is owed by the agent to the participant” have been interpreted as nonfunctional descriptive material and not further limiting of the invention claimed.

Claims 7, 10 and 17

First, applicant’s preamble has not been given patentable weight because the recitation occurs in the preamble.

A preamble is generally not accorded any patentable weight where it merely recites the purpose of a process or the intended use of a structure, and where the body of the claim does not depend on the preamble for completeness but, instead, the process steps or structural limitations are able to stand alone. See *In re Hirao*, 535 F.2d 67, 190 USPQ 15 (CCPA 1976) and *Kropa v. Robie*, 187 F.2d 150, 152, 88 USPQ 478, 481 (CCPA 1951).

As noted supra, Gastineau describes how exchange traded funds or basket products such as S&P 500 Depository Receipts (SPDRs) are vehicles for holding a basket of securities that can be traded on an exchange or securities market.

[Gastineau, [0002]. Gastineau describes how shares in these types of products may

Art Unit: 3693

be created or redeemed at the end of each business day at a net asset value price in "creation units." Gastineau also describes how a variety of participants may interact with the exchange, securities market with respect to these products such as brokers, dealers and investors. Gastineau, further describes the attributes and characteristics of these types of exchanges, electronic markets etc. which include CPU 12, memory 14 and persistent storage device 16. (Gastineau, Fig. 1, 20).

As such Gastineau describes, "A computer program product residing on a computer readable medium, for administrating a first financial product that has shares traded in a first marketplace, " although as noted above this is not a required attribute of the claimed invention.

Regarding, "determine a second number of shares in the second financial product ***to account for cash that is owed by an agent that issues the shares in the first financial product to a participant that receives the shares in the first financial product, tile agent delivering a second number of shares in the second financial product in lieu of the cash.***" As noted, supra the bolded and italicized language has been interpreted as not further limiting of the claimed invention because of the use of intended use/intended result language, passive language etc. As far as determining a number of shares in a financial product, Strauss suggests that this is accomplished in association with NAV purchases. Strauss introduces the idea of an in-kind exchange. Strauss suggests shares may be purchased at NAV in blocks of specified number of shares called creation units. Strauss also suggests that the purchases are effected

Art Unit: 3693

through the tender of a basket of securities. Strauss further describes that there may be a requirement to also provide a plus or minus balancing amount. (Strauss, pgs. 2-3).

Claims 12, 15, 18, 21, 23 and 25

If the claimed invention is defined by the steps or acts performed, then a significant part of the claimed invention is just the storing of data.

With respect to claim 12, the system comprises a computer program product with instructions for causing processor to "record" data however, what is recorded, "the number of shares issued in the first financial product;" and "the second number of shares delivered in the second financial product" is nonfunctional descriptive material.

With respect to claim 18, the computer program product comprises instructions for causing a processor to "record" data however, what is recorded, " creation of the first exchange-traded fund, the first exchange-traded fund having a prescribed number of shares for trading in a first country, the first exchange-traded fund produced by delivery to an agent, in exchange for the prescribed number of shares of a creation unit basket of securities having a basis that is substantially the same basis as a creation unit basis for a second exchange-traded fund that has shares traded on a second marketplace in a second, different country;" and "the prescribed number of shares in the first exchange-traded fund and the number of shares in the second exchange-traded fund to account for the cash" is nonfunctional descriptive material.

Similarly, with respect to claim 23, the method comprises "recording by the computer system" and "recording by the computer system". What is

Art Unit: 3693

recorded, “delivery from a participant to an agent of a creation unit basket of securities for the first exchange-traded fund in exchange for a prescribed number of shares in the first exchange-traded fund, the shares for the first exchange-traded fund trading in a first country and the first exchange-traded fund having a basis that is substantially the same basis as a creation unit basis for a second exchange-traded fund traded in a second, different country;” and “the prescribed number of shares in the first exchange-traded fund and the number of shares in the second exchange-traded fund to account for the cash” respectively, is nonfunctional descriptive material.

In other words, the limitations noted above from the claimed inventions are just storing data. The steps performed by the computer do not require any use of the data. The data recorded by the computer are not used by the computer to perform any calculation or render any decision. The data recorded by the computer is nothing more than nonfunctional descriptive material. The data is considered to be non-functional, and thus not further limiting, because the particular data obtained has no bearing on the actively recited steps of the method claim.

Certain types of descriptive material, such as music, literature, art, photographs, and mere arrangements or compilations of facts or data, without any functional interrelationship is not a process, machine, manufacture, or composition of matter. See MPEP § 2106, II.

When nonfunctional descriptive material is recorded on some computer-readable medium, in a computer or on an electromagnetic carrier signal, it is not statutory since no requisite functionality is present to satisfy the practical application requirement. Merely claiming nonfunctional descriptive material, i.e., abstract ideas, stored on a computer readable medium, in a computer or on an electromagnetic carrier signal, does not make it statutory. See *Diamond v. Diehr*, 450 U.S. 175, 185-6, 209 USPQ 1, 8 (noting that the claims for an algorithm in Benson were unpatentable as abstract ideas because “[t]he sole practical application of the algorithm was in connection with the programming of a general

Art Unit: 3693

purpose computer.") Such a result would exalt form over substance. *In re Sarkar*, 588 F.2d 1330, 1333, 200 USPQ 132, 137 (CCPA 1978) .

Secondly, the claims rely entirely on decisions and actions by people (i.e., the market participant and agent) and the claim is recited in a way that does not make the actions of these people required (e.g., intended use/result language, passive language).

Gastineau describes how exchange traded funds or basket products such as S&P 500 Depository Receipts (SPDRs) are vehicles for holding a basket of securities that can be traded on an exchange or securities market. [Gastineau, [0002].

Gastineau describes how shares in these types of products may be created or redeemed at the end of each business day at a net asset value price in "creation units." Gastineau also describes how a variety of participants may interact with the exchange, securities market with respect to these products such as brokers, dealers and investors. Gastineau, further describes the attributes and characteristics of these types of exchanges, electronic markets etc. which include memory 14 and persistent storage device 16. (Gastineau, Fig. 1, 20).

As such Gastineau discloses with respect to claim 12 the associated system components of a computer and storage medium storing a computer program product for carrying out the claimed invention.

Regarding, "determine a second number of shares in the second financial ***product to account for cash that is owed by an agent that issues the shares in the first financial product to a participant that receives the shares, the agent delivering the second, number of shares in the second financial product in lieu of***

the cash" in claim 12. Regarding, "determine a number of shares in the second exchange-traded fund ***to account for cash that is owed by the agent to the participant the agent delivering the second number of shares in the second exchange-traded fund in lieu of the cash***; and record the prescribed number of shares in the first exchange-traded fund and the number of shares in the second exchange-traded fund ***to account for the cash***" in claim 18. Regarding, "determining by the computer system a number of shares in the second exchange-traded fund to deliver to the participant ***to account for cash that is owed by the agent to the participant the agent delivering the second number of shares in the second exchange-traded fund in lieu of the cash***;; and recording by the computer system the prescribed number of shares in the first exchange- traded fund and the number of shares in the second exchange-traded fund ***to account for the cash***," in claim 23.

As noted, supra the bolded and italicized language has been interpreted as not further limiting of the claimed invention because of the use of intended use/intended result language, passive language etc. Furthermore, as noted supra the data recorded by the computer has been interpreted as nonfunctional descriptive material.

As far as determining a number of shares in a financial product or exchange-traded fund to deliver and the prescribed number of shares in the first exchange-traded fund and the number of shares in the second exchange-traded fund to account for cash. Strauss suggests that this is accomplished in association with NAV purchases. Strauss introduces the idea of an in-kind exchange. Strauss suggests shares may be purchased at NAV in blocks of specified number of shares called creation units.

Art Unit: 3693

Strauss also suggests that the purchases are effected through the tender of a basket of securities. Strauss further describes that there may be a requirement to also provide a plus or minus balancing amount. (Strauss, pgs. 2-3).

Re Claims 2, 8 and 13

These dependent claims, similar to the independent claims from which they depend, rely on intended use/intended result language, passive language etc.

Claim 2 recites, “calculating by the computer system an amount of cash needed to be exchanged between agent and the participant ***to have the first fund equate to the second fund at the net asset value of the second fund at the close of trading of the second fund in the second country***; wherein if the cash needed to be exchanged is owed by the agent to the participant that cash is settled in the second number of shares in the second fund.” Similar rationale for claims 8 and 13.

As noted, supra the bolded and italicized language has been interpreted as not further limiting of the claimed invention because of the use of intended use/intended result language, passive language etc. The claimed invention never performs the steps or acts recited in the language interpreted as an intended use/result, passive language etc.. As noted supra, for example, since the computer of the claimed invention never performs the act of calculating the net asset value of the second fund at the close of trading in the second country, there is no guarantee that it will occur or is required to occur. In addition to the computer of the claimed invention not calculating the net asset value of the second fund at the close of trading in the second country, it

Art Unit: 3693

does not obtain the calculation from another source. It is unclear how the computer could receive as an output the calculation of the amount of cash needed to be exchanged between the agent and the market participant when the computer would need to receive or calculate, as at least one of the inputs, the calculation of the net asset value of the second fund at the close of trading in the second country.

Furthermore, as noted supra if claims are to be interpreted by terms that limit its scope. Then language such as “wherein” clauses that fail to further define the steps or acts to be performed in method claims or the discrete physical structure required of system claims; and language such as “if” which may or may not occur does not accomplish the result of limiting the scope of the claimed invention.

Regarding, “calculating by the computer system an amount of cash needed to be exchanged between agent and the participant” Strauss describes how cash may be used to ensure that shares are purchased at NAV. (Strauss, pgs. 2-3)

Claims 6, 11 and 16

The claims are obvious in light of Gastineau in view of Strauss for reasons analogous to those given supra for claims 2, 8 and 13.

Furthermore, with respect to claim 6, 11 and 16, it is unclear how the underlying computer of the claimed invention can even calculate whether transactions exceed a maximum cash amount. As noted supra, the computer never receives the inputs needed to calculate the cash amount let alone to determine whether it exceeds a maximum cash amount.

Furthermore, with respect to claims 6, 11 and 16, if claims are to be interpreted by terms that limit its scope. Then language such as “wherein” clauses that fail to further define the steps or acts to be performed in method claims or the discrete physical structure required of system claims; and language such as “if” which may or may not occur does not accomplish the result of limiting the scope of the claimed invention.

Claims 19, 22, 24 and 25

The claims are obvious in light of Gastineau in view of Strauss for reasons analogous to those given supra for claims 2, 8 and 13.

Furthermore, with respect to claims 19 and 24, similar to the independent claims from which they depend, the claims rely on intended use/intended result language, passive language etc.

Furthermore, with respect to claim 22, it is unclear how the underlying computer of the claimed invention can even calculate whether transactions exceed a maximum cash amount. As noted supra, the computer never receives the inputs needed to calculate the cash amount let alone to determine whether it exceeds a maximum cash amount.

Furthermore, with respect to claims 25, if claims are to be interpreted by terms that limit its scope. Then language such as “wherein” clauses that fail to further define the steps or acts to be performed in method claims or the discrete physical structure

Art Unit: 3693

required of system claims; and language such as “if” which may or may not occur does not accomplish the result of limiting the scope of the claimed invention.

KSR

The claimed invention would have been obvious to one of ordinary skill in the art. The concept of exchange-traded funds was old and well-known at the time the invention was made. See citation *supra* for Gastineau.

The concept of in-kind purchase and redemption with respect to exchange-traded funds was old and well-known at the time the invention was made. In exchange for a given creation unit for a fund, a number of shares plus/minus a cash component could be exchanged, such that the values exchanged are equal. Furthermore, it was old and well-known that this purchase and redemption occurred at net asset value. See citation *supra* for Strauss.

As suggested by Strauss allowing for purchase and redemption at net asset value helps to close any gap that may exist between the market price of the shares and the net asset value, which can be closed through arbitrage.

Applicant argues, that it is non-obvious that when the creation unit basis between the first fund and the second fund are the same (or nearly the same) and when the net asset value is taken at the same time, that shares in the second fund could also be used. It is noted that this is also obvious in light of the teachings of Gastineau and Strauss. This is also a type of in-kind exchange that old and well-known in fields related to bartering, trading and exchanges. The idea that something (i.e., usually other than

Art Unit: 3693

money) that is an equivalent or near equivalent (i.e., in value, use etc.) can be given as an alternative or replacement for something else.

Re claims 1-2, 4-8, 10-13, 15-19 and 21-26: The claimed invention applies prior art elements according to known methods to yield predictable results. Thus, the claimed subject matter likely would have been obvious under KSR. KSR, 127 S.Ct. at 1741, 82 USPQ2d at 1396.

Re claims 1-2, 4-8, 10-13, 15-19 and 21-26: Known work in one field of endeavor may prompt variations of it for use in either the same field or a different one based on design incentives or other market forces if the variations are predictable to one of ordinary skill in the art. Thus, the claimed subject matter likely would have been obvious under KSR. KSR, 127 S.Ct. at 1741, 82 USPQ2d at 1396.

Automation

It is not 'invention' to broadly provide a mechanical or automatic means to replace manual activity which has accomplished the same result. *In re Venner*, 120 USPQ 192 (CCPA 1958) *In re Rundell*, 9 USPQ 220

Hindsight

In response to applicant's argument that the examiner's conclusion of obviousness is based upon improper hindsight reasoning, it must be recognized that any judgment on obviousness is in a sense necessarily a reconstruction based upon hindsight reasoning. But so long as it takes into account only knowledge which was within the level of ordinary skill at the time the claimed invention was made, and does not include knowledge gleaned only from the applicant's disclosure, such a

Art Unit: 3693

reconstruction is proper. See *In re McLaughlin*, 443 F.2d 1392, 170 USPQ 209 (CCPA 1971).

In considering disclosure of reference patent, it is pertinent to point out not only specific teachings of patent but also the reasonable inferences which one skilled in the art would logically draw therefrom. *In re Shepard*, 138 USPQ 148 (CCPA 1963)

Art Unit: 3693

(11) Related Proceeding(s) Appendix

No decision rendered by a court or the Board is identified by the examiner in the Related Appeals and Interferences section of this examiner's answer.

For the above reasons, it is believed that the rejections should be sustained.

Respectfully submitted,

/Sara Chandler/
Examiner, Art Unit 3693

Conferees:

James A. Kramer /JAK/
Supervisory Patent Examiner, Art Unit 3693

Vincent Millin /vm/

Appeals Conference Specialist